

388-96-719

Title 388 WAC: DSHS (Public Assistance)

commencement of the state fiscal biennium (first calendar year). The change in the IPD Index shall be calculated by:

(a) Consulting the latest quarterly IPD Index available to the department no later than February 28 following the first calendar year to determine, as nearly as possible, the applicable expenditure levels as of December 31 of the first calendar year;

(b) Subtracting from the expenditure levels taken from the quarterly IPD Index described in subsection (5)(a) of this section the expenditure levels taken from the IPD Index for the quarter occurring one year prior to the quarterly IPD Index described in subsection (5)(a) of this section; and

(c) Dividing the difference by the level of expenditures from the quarterly IPD Index occurring one year prior to the quarterly IPD Index described in subsection (5)(a) of this section.

(6) In applying the change in the IPD Index to establish first fiscal year nursing services, food, administrative and operational cost center rates for a contractor having at least six months, but less than twelve months, of cost report data from the prior calendar year, the department shall prorate the downward or upward adjustment by a factor obtained by dividing the contractor's actual calendar days of report data by two, adding three hundred sixty-five, and dividing the resulting figure by five hundred forty-eight.

(7) For the second year of each state fiscal biennium, a contractor's July 1 cost center rates referenced in subsection (2) of this section shall be the July 1 component rates for the first year of the state fiscal biennium, adjusted downward by any decrease, or upward by one and one-half times any increase, in the Nursing Home Input Price Index without Capital Costs published by the Health Care Financing Administration of the United States Department of Health and Human Services ("HCFA Index").

(8) The period used to measure the change in the HCFA Index shall, subject to subsection (9) of this section, be the calendar year preceding the July 1 commencement of the state fiscal biennium (first fiscal year). The change in the HCFA Index shall be calculated by:

(a) Consulting the latest quarterly HCFA Index available to the department no later than February 28 following the first calendar year to determine, as nearly as possible, the applicable price levels as of December 31 of the first calendar year;

(b) Subtracting from the price levels taken from the quarterly HCFA Index described in subsection (8)(a) of this section the price levels taken from the HCFA Index for the quarter occurring one year prior to the quarterly HCFA Index described in subsection (8)(a) of this section; and

(c) Dividing the difference by the price levels from the quarterly HCFA Index occurring one year prior to the quarterly HCFA Index described in subsection (8)(a).

(9) In the event the change in the HCFA Index measured over the calendar year ending six months after the July 1 commencement of the state fiscal biennium (second calendar year), is twenty-five percent greater or less than the change in the HCFA Index measured over the first calendar year, the department shall use any HCFA Index decrease, or one and one-half times any HCFA increase, from the second calendar year to adjust downward or upward, respectively, nursing facilities' nursing services, food, administrative, and operational component rates for July 1 of the second fiscal

year of the biennium. The change in the HCFA Index shall be calculated by:

(a) Consulting the latest quarterly HCFA Index available to the department no later than February 28 following the second calendar year to determine, as nearly as possible, the applicable price levels as of December 31 of the second calendar year;

(b) Subtracting from the price levels taken from the quarterly HCFA Index described in subsection (9)(a) of this subsection the price levels taken from the HCFA Index for the quarter occurring one year prior to the quarterly HCFA Index described in subsection (9)(a) of this section; and

(c) Dividing the difference by the price levels from the quarterly HCFA Index occurring one year prior to the quarterly HCFA Index described in subsection (9)(a).

(10) The department shall compute the occupancy level for each facility in accordance with the following:

(a) For the first fiscal year of a state biennium, by dividing the actual number of patient days from the Medicaid cost report for the calendar year immediately prior to the first fiscal year of that state biennium by the product of the numbers of licensed beds multiplied by calendar days in the cost report period. If a facility's occupancy level is:

(i) At or above eighty-five percent, the department shall compute per patient day prospective rates and limits for nursing, food, administrative, operational, property and return on investment components using actual patient days;

(ii) Below eighty-five percent, the department shall compute per patient day prospective rates and limits for:

(A) Nursing and food components using actual patient days; and

(B) Administrative, operational, property and return on investment components using patient days at the eighty-five percent occupancy level.

(b) For the second fiscal year of a biennium, the department shall compute the occupancy level by dividing the actual number of patient days from the Medicaid cost report for the calendar year immediately prior to the second fiscal year of that biennium by the product of the number of licensed beds multiplied by calendar days in that report period. The department shall:

(i) Compute the per patient day return on investment rate and prospective property rate when a facility's occupancy level is:

(A) At or above eighty-five percent occupancy level, using actual patient days; or

(B) Below eighty-five percent using patient days at the eighty-five percent occupancy level.

(ii) Not adjust nursing, food, administrative and occupational rates for any change to actual patient days, calendar days, and/or occupancy as reported on the Medicaid cost report for the calendar year immediately prior to the second fiscal year of that state biennium. For bed increases or decreases the department shall use WAC 388-96-709 and other applicable WACs to determine occupancy level.

(c) For new contractors as defined under WAC 388-96-026 (a) or (b), occupancy shall be based on a minimum of eighty-five percent for administrative, operations, property and return on investment.

(11) If a nursing home provides residential care to individuals other than those receiving nursing facility care:

(a) The facility may request in writing, and

Nursing Home—Accounting—Reimbursement

388-96-719

(b) The department may grant in writing an exception to the requirements of subsection (10) of this section by including such other residents in computing occupancy. Exceptions granted shall be revocable effective ninety days after written notice of revocation is received from the department. The department shall not grant an exception unless the contractor submits with the annual cost report a certified statement of occupancy including all residents of the facility and their status or level of care.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-719, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-719, filed 9/14/93, effective 10/15/93; 90-09-061 (Order 2970), § 388-96-719, filed 4/17/90, effective 5/18/90. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-719, filed 12/23/87. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-719, filed 8/19/85. Statutory Authority: RCW 74.46.800, 84-12-039 (Order 2105), § 388-96-719, filed 5/30/84. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-719, filed 9/16/83; 82-17-071 (Order 1867), § 388-96-719, filed 8/18/82; 82-12-068 (Order 1820), § 388-96-719, filed 6/2/82; 82-04-073 (Order 1756), § 388-96-719, filed 2/3/82; 81-15-049 (Order 1669), § 388-96-719, filed 7/15/81; 80-06-122 (Order 1510), § 388-96-719, filed 5/30/80, effective 7/1/80; 79-12-085 (Order 1461), § 388-96-719, filed 11/30/79; 78-11-043 (Order 1353), § 388-96-719, filed 10/20/78. Statutory Authority: RCW 74.09.090 and 74.09.120, 78-06-080 (Order 1300), § 388-96-719, filed 6/1/78. Statutory Authority: RCW 74.09.120, 78-02-013 (Order 1264), § 388-96-719, filed 1/9/78.]

See WSR 95-14-119

WAC 388-96-722 Nursing services cost area rate.

(1) The nursing services cost center shall include for reporting and auditing purposes all costs relating to the direct provision of nursing and related care, including fringe benefits and payroll taxes for nursing and related care personnel and for the cost of nursing supplies. The cost of one-to-one care shall include care provided by qualified therapists and their employees only to the extent the costs are not covered by Medicare, part B, or any other coverage.

(2) In addition to other limits contained in this chapter, the department shall subject nursing service costs to a test for nursing staff hours according to the procedures set forth in subsection (3) of this section.

(3) The test for nursing staff hours referenced in subsection (2) of this section shall use a regression of hours reported by facilities for registered nurses, licensed practical nurses, and nurses' assistants, including:

(a) Purchased and allocated nursing and assistant staff time; and

(b) The average patient debility score for the corresponding facilities as computed by the department. The department shall compute the regression every two years which shall be effective for the entire biennium, beginning July 1, 1993, and shall take data for the regression from:

(i) Correctly completed cost reports; and

(ii) Patient assessments completed by nursing facilities and transmitted to the department in accordance with the minimum data set (MDS) format and instructions, as may be corrected after departmental audit or other investigation, for the corresponding calendar report year and available at the time the regression equation is computed. Effective January 1, 1988, the department shall not include the hours associated with off-site or class room training of nursing assistants and the supervision of such training for nursing assistants in the test for nursing staff hours. The department shall

nursing assistant staffing hours at predicted staffing hours plus 1.75 standard errors, utilizing the regression equation calculated by the department. The department shall reduce costs for facilities with reported hours exceeding the limit by an amount equivalent to:

(A) The hours exceeding the limit;

(B) Times the average wage rate for nurses and assistants indicated on cost reports for the year in question, including benefits and payroll taxes allocated to such staff. The department shall provide contractors' reporting hours exceeding the limit the higher of their January 1983 patient care rate or the nursing services rate computed for them according to the provisions of this subsection, plus applicable inflation adjustments.

(4) For all rates effective after June 30, 1991, nursing services costs, as reimbursed within this chapter, shall not include costs of any purchased nursing care services, including registered nurse, licensed practical nurse, and nurse assistant services, obtained through service contract arrangement (commonly referred to as "nursing pool" services), in excess of the amount of compensation which would have been paid for such hours of nursing care service had they been paid at the average hourly wage, including related taxes and benefits, for in-house nursing care staff of like classification at the same nursing facility, as reported in the most recent cost report period.

(5) Staff of like classification shall mean only the nursing classifications of registered nurse, licensed practical nurse or nurse assistant. The department shall not recognize particular individuals, positions or subclassifications within each classification for whom pool staff may be substituting or augmenting. The department shall derive the facility average hourly wage for each classification by dividing the total allowable regular and overtime salaries and wages, including related taxes and benefits, paid to facility staff in each classification divided by the total allowable hours worked for each classification. All data used to calculate the average hourly wage for each classification shall be taken from the cost report on file with the department's rates management office for the most recent cost report period.

(6) Once every two years, when the rates are set at the beginning of each new biennium, starting with July 1, 1993 prospective rate setting, the department shall determine peer group median cost plus limits for the nursing services cost center in accordance with this section.

(a) The department shall divide into two peer groups nursing facilities located in the state of Washington providing services to Medicaid residents. These two peer groups shall be those nursing facilities:

(i) Located within a Metropolitan Statistical Area (MSA) as defined and determined by the United States Office of Management and Budget or other applicable federal office (MSA facilities); and

(ii) Not located within such an area (non-MSA facilities).

(b) Prior to any adjustment for economic trends and conditions under WAC 388-96-719, the facilities in each peer group shall be arrayed from lowest to highest by magnitude of per patient day adjusted nursing services cost from the prior cost report year, which shall include all costs of nursing supplies and purchased and allocated medical

contested by the nursing facility. All available cost reports from the prior cost report year having at least six months of cost report data shall be used, including all closing cost reports covering at least six months. Costs current-funded by means of rate add-ons, granted under the authority of WAC 388-96-774 and WAC 388-96-777 and commencing in the prior cost report year, shall be included in costs arrayed. Costs current-funded by rate add-ons commencing January 1 through June 30 following the prior cost report year shall be excluded from costs arrayed.

(c) The median or fiftieth percentile nursing facility cost in nursing services for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted nursing services cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above and below it shall be subject to field audit in the nursing services cost area prior to issuing new July 1 rates.

(7) Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates, nursing services component rates for facilities within each peer group shall be set for the first fiscal year of each state biennium at the lower of:

(a) The facility's adjusted per patient day nursing services cost from the most recent prior report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing services cost for the facility's peer group plus twenty-five percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(8) Rate add-ons made to current fund nursing services costs, pursuant to WAC 388-96-774 and WAC 388-96-777 and commencing in the prior cost report year, shall be reflected in first fiscal year prospective rates only by their inclusion in the costs arrayed. A facility shall not receive, based on any calculation or consideration of any such prior report year rate add-ons, a July 1 nursing services rate higher than that provided in subsection (7) of this section.

(9) For July 1, 1993 rate setting only, if a nursing facility is impacted by the peer group median cost plus twenty-five percent limit in its nursing services cost, such facility shall not receive a per patient day prospective rate in nursing services for July 1, 1993 lower than the same facility's prospective rate in nursing services as of June 30, 1993, as reflected in departmental records as of that date, inflated by any increase in the IPD Index authorized by WAC 388-96-719.

(10) For July 1, 1993 rate setting only, nursing services rate adjustments, granted under authority of WAC 388-96-774 and commencing from January 1, 1993 through June 30, 1993, shall be added to a facility's nursing services rate established under subsection (7) of this section. For all rate setting beginning July 1, 1995 and following, the department shall add nursing services rate add-ons, granted under authority of WAC 388-96-774 and WAC 388-96-777 and commencing from January 1 through June 30 preceding the start of a state biennium, to a nursing facility's rate in nursing services, but only up to the facility's peer group median cost plus twenty-five percent limit.

(11) Subsequent to issuing the first fiscal year July 1 rates, the department shall recalculate the median costs of each peer group based upon the most recent adjusted nursing services cost report information in departmental records as of October 31 of the first fiscal year of each biennium. For any facility which would have received a higher or lower July 1 rate for the first fiscal year in nursing services based upon the recalculation of that facility's peer group median costs, the department shall reissue that facility's nursing services rate reflecting the recalculation, retroactive to July 1 of the first fiscal year.

(12) For both the initial calculation of peer group median costs and the recalculation based on adjusted nursing services cost information as of October 31 of the first fiscal year of the biennium, the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(13) Neither the per patient day peer group median plus twenty-five percent limit for nursing services cost nor the test for nursing staff hours authorized in this section shall apply to the pilot facility designated to meet the needs of persons living with AIDS as defined by RCW 70.24.017 and specifically authorized for this purpose under the 1989 amendment to the Washington state health plan. The AIDS pilot facility shall be the only facility exempt from these limits.

(14) Beginning with July 1, 1994 prospective rates, a nursing facility's rate in nursing services for the second fiscal year of each biennium shall be that facility's nursing services rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.

(15) The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 nursing services rates occurring within each biennium shall be followed in the same order for each succeeding biennium.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-722, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-722, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.46.800, 92-16-013 (Order 3424), § 388-96-722, filed 7/23/92, effective 8/23/92. Statutory Authority: RCW 74.09.180 and 74.46.800, 91-22-025 (Order 3270), § 388-96-722, filed 10/29/91, effective 11/29/91. Statutory Authority: RCW 74.46.800 and 74.09.120, 91-12-036 (Order 3185), § 388-96-722, filed 5/31/91, effective 7/1/91. Statutory Authority: RCW 74.09.180 and 74.46.800, 89-01-095 (Order 2742), § 388-96-722, filed 12/21/88. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-722, filed 12/23/87. Statutory Authority: RCW 74.46.800, 87-09-058 (Order 2485), § 388-96-722, filed 4/20/87, 86-10-055 (Order 2372), § 388-96-722, filed 5/7/86, effective 7/1/86. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2277), § 388-96-722, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-722, filed 8/16/83, 82-11-065 and 82-13-050 (Orders 1808 and 1808A), § 388-96-722, filed 5/14/82 and 6/14/82, 81-15-049 (Order 1669), § 388-96-722, filed 7/15/81, 81-06-024 (Order 1613), § 388-96-722, filed 2/25/81, 80-06-122 (Order 1510), § 388-96-722, filed 5/30/80, effective 7/1/80, 79-12-085 (Order 1461), § 388-96-722, filed 11/30/79. Statutory Authority: RCW 18.51.310 and 74.09.120, 78-11-013 (Order 1349), § 388-96-722, filed 10/9/78. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-06-080 (Order 1330), § 388-96-722, filed 6/1/78. Statutory Authority: RCW 74.09.120, 78-02-013 (Order 1264), § 388-96-722, filed 1/9/78.]

Nursing Home—Accounting—Reimbursement

388-96-727

See WSR 95-14-119

WAC 388-96-727 Food cost area rate. (1) The food cost center shall include for cost reporting purposes all costs of bulk and raw food and beverages purchased for the dietary needs of the nursing facility residents.

(2) Once every two years, when the rates are set at the beginning of each new biennium, starting with July 1, 1993 prospective rate setting, the department shall determine peer group median cost plus limits for the food cost center in accordance with this section.

(a) The department shall divide into two peer groups nursing facilities located in the state of Washington providing services to Medicaid residents. These two peer groups shall be:

(i) Those nursing facilities located within a Metropolitan Statistical Area (MSA) as defined and determined by the United States Office of Management and Budget or other applicable federal office (MSA facilities); and

(ii) Those not located within such an area (Non-MSA facilities).

(b) Prior to any adjustment for economic trends and conditions under WAC 388-96-719, the facilities in each peer group shall be arrayed from lowest to highest by magnitude of per patient day adjusted food cost from the prior cost report year, regardless of whether any such adjustments are contested by the nursing facility. All available cost reports from the prior cost report year having at least six months of cost report data shall be used, including all closing cost reports covering at least six months. The department shall include costs current-funded by means of rate add-ons, granted under the authority of WAC 388-96-777 and commencing in the prior cost report year, in costs arrayed. The department shall exclude costs current-funded by rate add-ons granted under the authority of WAC 388-96-777 and commencing January 1 through June 30 following the prior cost report year from costs arrayed.

(c) The median or fiftieth percentile nursing facility food cost for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted food cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above and below it shall be subject to field audit in the food cost area prior to issuing new July 1 rates.

(3) Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates, food component rates for facilities within each peer group shall be set for the first fiscal year of each state biennium at the lower of:

(a) The facility's adjusted per patient day food cost from the most recent prior report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing facility food cost for the facility's peer group plus twenty-five percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(4) Rate add-ons made to current fund food costs, pursuant to WAC 388-96-777 and commencing in the prior cost report year, shall be reflected in first fiscal year of a state biennium prospective rates only by their inclusion in the costs arrayed. A facility shall not receive, based on any

calculation or consideration of any such prior report year rate add-ons, a July 1 food rate higher than that provided in subsection (3) of this section.

(5) For July 1, 1993 rate setting only, food rate adjustments, granted under authority of WAC 388-96-774 and commencing from January 1, 1993 through June 30, 1993, shall be added to a facility's food rate established under subsection (3) of this section. For all rate setting beginning July 1, 1995 and following, the department shall add food rate add-ons, granted under authority of WAC 388-96-777 and commencing from January 1 through June 30 preceding the start of a state biennium, to a nursing facility's rate in food, but only up to the facility's peer group median cost plus twenty-five percent limit.

(6) Subsequent to issuing the first fiscal year July 1 rates, the department shall recalculate the median costs of each peer group based upon the most recent adjusted food cost report information in departmental records as of October 31 of the first fiscal year of each biennium. For any facility which would have received a higher or lower July 1 rate for the first fiscal year in food based upon the recalculation of that facility's peer group median costs, the department shall reissue that facility's food rate reflecting the recalculation, retroactive to July 1 of the first fiscal year.

(7) For both the initial calculation of peer group median costs and the recalculation based on adjusted nursing services cost information as of October 31 of the first fiscal year of the biennium, the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(8) Beginning with July 1, 1993 prospective rates, a nursing facility's rate in food for the second fiscal year of each biennium shall be that facility's food rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.

(9) The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 food rates occurring within each biennium shall be followed in the same order for each succeeding biennium.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-727, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-727, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-727, filed 9/16/83; 81-15-049 (Order 1669), § 388-96-727, filed 7/15/81; 79-12-085 (Order 1461), § 388-96-727, filed 11/30/79; 78-02-013 (Order 1264), § 388-96-727, filed 1/9/78.]

See WSR 95-14-119

WAC 388-96-735 Administrative cost area rate. (1) The administrative cost center shall include for cost reporting purposes all administrative, oversight, and management costs, whether incurred at the facility or allocated in accordance with a department-approved joint cost allocation methodology. Such costs shall be identical to the cost report line items categorized on the 1992 calendar year report under "general and administrative" within the administration and operations (A&O) combined cost center existing for reporting purposes prior to January 1, 1993, with the exception of nursing supplies and purchased and allocated medical

records. The department shall issue cost reporting instructions identifying administrative costs for 1993 and following cost report years.

(2) Once every two years, when the rates are set at the beginning of each new biennium, starting with July 1, 1993 prospective rate setting, the department shall determine peer group median cost plus limits for the administrative cost center in accordance with this section.

(a) The department shall divide into two peer groups nursing facilities located in the state of Washington providing services to Medicaid residents. These two peer groups shall be:

(i) Those nursing facilities located within a Metropolitan Statistical Area (MSA) as defined and determined by the United States Office of Management and Budget or other applicable federal office (MSA facilities); and

(ii) Those not located within such an area (Non-MSA facilities).

(b) Prior to any adjustment for economic trends and conditions under WAC 388-96-719, the facilities in each peer group shall be arrayed from lowest to highest by magnitude of per patient day adjusted administrative cost, from the prior cost report year, excluding the costs of nursing supplies and purchased and allocated medical records, regardless of whether any such adjustments are contested by the nursing facility. All available cost reports from the prior cost report year having at least six months of cost report data shall be used, including all closing cost reports covering at least six months. The department shall include costs current-funded by means of rate add-ons, granted under the authority of WAC 388-96-777 and commencing in the prior cost report year, in costs arrayed. The department shall exclude costs current-funded by rate add-ons granted under the authority of WAC 388-96-777 and commencing January 1 through June 30 following the prior cost report year from costs arrayed.

(c) The median or fiftieth percentile nursing facility administrative cost for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted administrative cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above and below it shall be subject to field audit in the administrative cost area prior to issuing new July 1 rates.

(3) Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates, administrative component rates for facilities within each peer group shall be set for the first fiscal year of each state biennium at the lower of:

(a) The facility's adjusted per patient day administrative cost from the most recent prior report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing facility administrative cost for the facility's peer group plus ten percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(4) Rate add-ons made to current fund administrative costs, pursuant to WAC 388-96-777 and commencing in the prior cost report year, shall be reflected in first fiscal year of a state biennium prospective rates only by their inclusion in

the costs arrayed. A facility shall not receive, based on the calculation or consideration of any such prior report year adjustment, a July 1 administrative rate higher than that provided in subsection (3) of this section.

(5) For July 1, 1993 rate setting only, administrative rate adjustments, granted under authority of WAC 388-96-774 and commencing from January 1, 1993 through June 30, 1993, shall be added to a facility's administrative rate established under subsection (3) of this section. For all rate setting beginning July 1, 1995 and following, the department shall add administrative rate add-ons, granted under authority of WAC 388-96-777 and commencing from January 1 through June 30 preceding the start of a state biennium, to a facility's administrative rate, but only up to the facility's peer group median cost plus ten percent limit.

(6) Subsequent to issuing the first fiscal year July 1 rates, the department shall recalculate the median costs of each peer group based on the most recent adjusted administrative cost report information in departmental records as of October 31 of the first fiscal year of each biennium. For any facility which would have received a higher or lower July 1 administrative rate for the first fiscal year based upon the recalculation of that facility's peer group median costs, the department shall reissue that facility's administrative rate reflecting the recalculation, retroactive to July 1 of the first fiscal year.

(7) For both the initial calculation of peer group median costs and the recalculation based on adjusted administrative cost information as of October 31 of the first fiscal year of the biennium, the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(8) Beginning with July 1, 1994 prospective rates, a nursing facility's administrative rate for the second fiscal year of each biennium shall be that facility's administrative rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.

(9) The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 administrative rates occurring within each biennium shall be followed in the same order for each succeeding biennium.

[Statutory Authority: RCW 74.46.800, 94-12-048 (Order 3737), § 388-96-735, filed 5/26/94, effective 6/26/94; Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-735, filed 9/14/93, effective 10/15/93; Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-735, filed 12/4/84; 83-19-037 (Order 2025), § 388-96-735, filed 9/16/83; 82-11-065 (Order 1808), § 388-96-735, filed 5/14/82; 81-15-049 (Order 1669), § 388-96-735, filed 7/15/81; 80-06-122 (Order 1510), § 388-96-735, filed 5/30/80, effective 7/1/80; 79-12-085 (Order 1461), § 388-96-735, filed 11/30/79, 78-02-013 (Order 1264), § 388-96-735, filed 1/9/78]

See WSR 95-14-119

WAC 388-96-737 Operational cost area rate. (1)

The operational cost center shall include for cost reporting purposes all allowable costs having a direct relationship to the daily operation of the nursing facility (but not including nursing services and related care, food, administrative, or property costs), whether such operating costs are incurred at the facility or are allocated in accordance with a department-approved joint cost allocation methodology.

Nursing Home—Accounting—Reimbursement

388-96-737

(2) Once every two years, when the rates are set at the beginning of each new biennium, starting with July 1, 1993 prospective rate setting, the department shall determine peer group median cost plus limits for the operational cost center in accordance with this section.

(a) The department shall divide into two peer groups nursing facilities located in the state of Washington providing services to Medicaid residents. These two peer groups shall be:

(i) Those nursing facilities located within a metropolitan statistical area (MSA) as defined and determined by the United States Office of Management and Budget or other applicable federal office (MSA facilities); and

(ii) Those not located within such an area (Non-MSA facilities).

(b) Prior to any adjustment for economic trends and conditions under WAC 388-96-719, the facilities in each peer group shall be arrayed from lowest to highest by magnitude of per patient day adjusted operational cost from the prior cost report year, regardless of whether any such adjustments are contested by the nursing facility. All available cost reports from the prior cost report year having at least six months of cost report data shall be used, including all closing cost reports covering at least six months. Costs current-funded by means of rate add-ons, granted under the authority of WAC 388-96-774 and WAC 388-96-777 and commencing in the prior cost report year, shall be included in costs arrayed. The department shall exclude costs current-funded by rate add-ons commencing January 1 through June 30 following the prior cost report year from costs arrayed.

(c) The median or fiftieth percentile nursing facility operational cost for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted operational cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above and below it shall be subject to field audit in the operational cost area prior to issuing new July 1 rates.

(3) Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates, operational component rates for facilities within each peer group shall be set for the first fiscal year of each state biennium at the lower of:

(a) The facility's adjusted per patient day operational cost from the most recent prior report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing facility operational cost for the facility's peer group plus twenty-five percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(4) Rate add-ons made to current fund operational costs, pursuant to WAC 388-96-774 and WAC 388-96-777 and commencing in the prior cost report year, shall be reflected in first fiscal year prospective rates only by their inclusion in the costs arrayed. A facility shall not receive, based on the calculation or consideration of any such prior report year rate add-ons, a July 1 operational rate higher than that provided in subsection (3) of this section.

(5) For July 1, 1993 rate setting only, operational rate adjustments, granted under authority of WAC 388-96-774 and commencing January 1, 1993 through June 30, 1993, shall be added to a facility's operational rate established under subsection (3) of this section. For all rate setting beginning July 1, 1995 and following, the department shall add operational rate add-ons, granted under authority of WAC 388-96-774 and WAC 388-96-777 and commencing from January 1 through June 30 preceding the start of a state biennium to a facility's operational rate, but only up to the facility's peer group median cost plus twenty-five percent limit.

(6) Subsequent to issuing the first fiscal year July 1 rates, the department shall recalculate the median costs of each peer group based upon the most recent adjusted operational cost report information in departmental records as of October 31 of the first fiscal year of each biennium. For any facility which would have received a higher or lower July 1 operational rate for the first fiscal year based upon the recalculation of that facility's peer group median costs, the department shall reissue that facility's operational rate reflecting the recalculation, retroactive to July 1 of the first fiscal year.

(7) For both the initial calculation of peer group median costs and the recalculation based on adjusted administrative cost information as of October 31 of the first fiscal year of the biennium, the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(8) Beginning with July 1, 1994 prospective rates, a nursing facility's operational rate for the second fiscal year of each biennium shall be that facility's operational rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.

(9) The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 operational rates occurring within each biennium shall be followed in the same order for each succeeding biennium.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-737, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-737, filed 9/14/93, effective 10/15/93.]

See WSR 95-14-119

WAC 388-96-745 Property cost area reimbursement rate. (1) The department shall determine the property cost area rate for each facility annually, to be effective July 1, regardless of whether the July 1 rate is for the first or second year of the biennium, in accordance with this section and any other applicable provisions of this chapter.

(2) The department shall divide the allowable prior period depreciation costs subject to the provisions of this chapter, adjusted for any capitalized addition or replacements approved by the department, plus

(a) The retained savings from the property cost center as provided in WAC 388-96-228, by

(b) Total patient days for the facility in the prior period.

(3) Allowable depreciation costs are defined as the costs of depreciation of tangible assets meeting the criteria specified in WAC 388-96-557, regardless of whether owned

388-96-745

Title 388 WAC: DSHS (Public Assistance)

or leased by the contractor. The department shall not reimburse depreciation of leased office equipment.

(4) If a capitalized addition or retirement of an asset will result in a different licensed bed capacity during the calendar year following the capitalized addition or replacement, patient days from the cost report for the calendar year immediately prior to the capitalized addition or replacement that were used in computing the property component rate will be adjusted to the product of the occupancy level derived from the cost report used to compute the property component rate at the time of the increased licensed bed capacity multiplied by the number of calendar days in the calendar year following the increased licensed bed capacity multiplied by the number of licensed beds on the new license. If a capitalized addition, replacement, or retirement results in a decreased licensed bed capacity, WAC 388-96-709 will apply.

(5) When a facility is constructed, remodeled, or expanded after obtaining a certificate of need, the department shall determine actual and allocated allowable land cost and building construction cost. Reimbursement for such allowable costs, determined pursuant to the provisions of this chapter, shall not exceed the maximums set forth in this subsection and in subsections (4), (5), and (6) of this section. The department shall determine construction class and types through examination of building plans submitted to the department and/or on-site inspections. The department shall use definitions and criteria contained in the *Marshall and Swift Valuation Service* published by the Marshall and Swift Publication Company. Buildings of excellent quality construction shall be considered to be of good quality, without adjustment, for the purpose of applying these maximums.

(6) Construction costs shall be final labor, material, and service costs to the owner or owners and shall include:

(a) Architect's fees;

(b) Engineers' fees (including plans, plan check and building permit, and survey to establish building lines and grades);

(c) Interest on building funds during period of construction and processing fee or service charge;

(d) Sales tax on labor and materials;

(e) Site preparation (including excavation for foundation and backfill);

(f) Utilities from structure to lot line;

(g) Contractors' overhead and profit (including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, etc.);

(h) Allocations of costs which increase the net book value of the project for purposes of Medicaid reimbursement;

(i) Other items included by the *Marshall and Swift Valuation Service* when deriving the calculator method costs.

(7) The department shall allow such construction costs, at the lower of actual costs or the maximums derived from one of the three tables which follow. The department shall derive the limit from the accompanying table which corresponds to the number of total nursing home beds for the proposed new construction, remodel or expansion. The limit will be the sum of the basic construction cost limit plus the common use area limit which corresponds to the type and class of the new construction, remodel or expansion. The limits calculated using the tables shall be adjusted forward

from September 1990 to the average date of construction, to reflect the change in average construction costs. The department shall base the adjustment on the change shown by relevant cost indexes published by Marshall and Swift Publication Company. The average date of construction shall be the midpoint date between award of the construction contract and completion of construction.

BASE CONSTRUCTION
COST LIMITSCOMMON-USE AREA
COST LIMITS

74 BEDS & UNDER

Building Class	Base per Bed Limit	Base Limit
A-Good	\$50,433	\$278,847
A-Avg	\$41,141	\$227,469
B-Good	\$48,421	\$267,718
B-Avg	\$40,042	\$221,392
C-Good	\$35,887	\$198,421
C-Avg	\$27,698	\$153,143
C-Low	\$21,750	\$120,258
D-Good	\$33,237	\$183,765
D-Avg	\$25,716	\$142,182
D-Low	\$20,298	\$112,227

BASE CONSTRUCTION
COST LIMITSCOMMON-USE AREA
COST LIMITS

75 TO 120 BEDS

Building Class	Base Limit	Add per Bed Over 74	Base Limit	Add per Bed Over 74
A-Good	\$3,732,076	\$48,210	\$278,847	\$2,808
A-Avg	\$3,044,442	\$39,327	\$227,469	\$2,291
B-Good	\$3,583,131	\$46,286	\$267,718	\$2,696
B-Avg	\$2,963,112	\$38,277	\$221,392	\$2,230
C-Good	\$2,655,654	\$34,305	\$198,421	\$1,998
C-Avg	\$2,049,668	\$26,477	\$153,143	\$1,542
C-Low	\$1,609,531	\$20,792	\$120,258	\$1,211
D-Good	\$2,459,506	\$31,771	\$183,765	\$1,851
D-Avg	\$1,902,956	\$24,582	\$142,182	\$1,442
D-Low	\$1,502,048	\$19,403	\$112,227	\$1,130

BASE CONSTRUCTION
COST LIMITSCOMMON-USE AREA
COST LIMITS

121 BEDS AND OVER

Building Class	Base Limit	Add per Bed Over 120	Base Limit	Add per Bed Over 120
A-Good	\$5,949,745	\$42,359	\$408,015	\$2,106
A-Avg	\$4,853,505	\$34,555	\$332,855	\$1,718
B-Good	\$5,712,287	\$40,669	\$391,734	\$2,022
B-Avg	\$4,723,848	\$30,142	\$323,972	\$1,672
C-Good	\$4,233,692	\$23,264	\$290,329	\$1,499
C-Avg	\$3,267,618	\$18,268	\$224,092	\$1,157
C-Low	\$2,565,943	\$27,916	\$175,971	\$ 908
D-Good	\$3,920,989	\$21,599	\$268,911	\$1,388
D-Avg	\$3,033,727	\$17,048	\$208,493	\$1,081
D-Low	\$2,394,592	\$19,403	\$164,220	\$ 848

(8) When some or all of a nursing home's common-use areas are situated in a basement, the department shall exclude some or all of the per-bed allowance shown in the attached tables for common-use areas to derive the construction cost lid for the facility. The amount excluded will be equal to the ratio of basement common-use areas to all common-use areas in the facility times the common-use area limit in the table. In lieu of the excluded amount, the department shall add an amount calculated using the calcula-

Nursing Home—Accounting—Reimbursement

388-96-745

tor method guidelines for basements in nursing homes from the Marshall and Swift Publication.

(9) Subject to provisions regarding allowable land contained in this chapter, allowable costs for land shall be the lesser of:

- (a) Actual cost per square foot, including allocations; or
- (b) The average per square foot land value of the ten nearest urban or rural nursing facilities at the time of purchase of the land in question. The average land value sample shall reflect either all urban or all rural facilities depending upon the classification of urban or rural for the facility in question. The values used to derive the average shall be the assessed land values which have been calculated for the purpose of county tax assessments.

(10) If allowable costs for construction or land are determined to be less than actual costs pursuant to subsection (3), (4), and (5) of this section, the department may increase the amount if the owner or contractor is able to show unusual or unique circumstances having substantially impacted the costs of construction or land. Actual costs shall be allowed to the extent they resulted from such circumstances up to a maximum of ten percent above levels determined under subsections (3), (4), and (5) of this section for construction or land. An adjustment under this subsection shall be granted only if requested by the contractor. The contractor shall submit documentation of the unusual circumstances and an analysis of their financial impact with the request.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-745, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-745, filed 9/14/93, effective 10/15/93. Statutory Authority: RCW 74.46.800, 92-16-013 (Order 3424), § 388-96-745, filed 7/23/92, effective 8/23/92. Statutory Authority: RCW 79.09.120 [74.09.120] and 74.46.800, 90-09-061 (Order 2970), § 388-96-745, filed 4/17/90, effective 5/18/90. Statutory Authority: 1987 c 476, 88-01-126 (Order 2573), § 388-96-745, filed 12/23/87. Statutory Authority: RCW 74.46.800, 87-09-058 (Order 2485), § 388-96-745, filed 4/20/87. Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-745, filed 12/4/84.]

WAC 388-96-752 Documentation of leased assets. If the department challenges the historical cost of a leased asset or if the contractor cannot or will not provide the lessor's acquisition cost of an asset, the asset will be excluded from reimbursement until a department of general administration appraisal is prepared for the asset.

[Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-752, filed 12/4/84.]

WAC 388-96-753 Return on investment—Effect of funding granted under WAC 388-96-774, 388-96-776, and 388-96-777. (1) In establishing a nursing facility's return on investment prospective rate for July 1 or any subsequent revision to the prospective rate, in either the financing allowance or the variable return allowance, rate add-ons granted under the authority of WAC 388-96-774, 388-96-776, or 388-96-777 for any cost center shall be accounted for in accordance with this section. WAC 388-96-774, 388-96-776, and 388-96-777 rate add-ons accounted for in the prospective rate under this section shall remain subject to all the provisions of those sections including recoupment.

(2) For the July 1 prospective rate for the first fiscal year of a state biennium:

(a) Funding granted under the authority of WAC 388-96-774 and 388-96-777 during the preceding cost report year will be annualized and subsumed in the July 1 prospective rate and subject to adjustments for economic trends and conditions as authorized under WAC 388-96-719;

(b) WAC 388-96-774 and 388-96-777 funding granted during the six months prior to the beginning of the first fiscal year will continue as a rate add-on to the July 1 prospective rate and will not be subject to adjustments for economic trends and conditions as authorized under WAC 388-96-719.

(3) For the July 1 prospective rate for the second fiscal year of a state biennium, WAC 388-96-774 and 388-96-777 funding granted during the eighteen months preceding the second fiscal year will be rate add-ons to the July 1 prospective rate and not subject to adjustments for economic trends and conditions as authorized under WAC 388-96-719.

(4) For the July 1 rate for either the first fiscal year or the second fiscal year, funding granted under the authority of WAC 388-96-776 shall be annualized and subsumed in the July 1 prospective rate.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-753, filed 5/26/94, effective 6/26/94.]

See WSR 95-14-119

WAC 388-96-754 A contractor's return on investment. (1) The department shall establish for each Medicaid nursing facility a return on investment (ROI) rate composed of a financing allowance and a variable return allowance. The department shall determine a facility's ROI rate annually in accordance with this section, to be effective July 1; regardless of whether the rate is for the first or second fiscal year of a state biennium.

(2) The department shall determine the financing allowance by:

(a) Multiplying the net invested funds of each facility by ten percent and dividing by the contractor's total patient days, to which the provisions of WAC 388-96-719 shall apply, and corresponding to the following:

(i) If the cost report covers twelve months, annual patient days from the contractor's most recent twelve month cost report period; or

(ii) If the cost report covers less than twelve months, annualized patient days and working capital costs based upon data in the cost report; or

(iii) If a capitalized addition or replacement results in an increased licensed bed capacity during the calendar year following the capitalized addition or replacement, the total patient days from the cost report immediately prior to the capitalized addition or replacement that were used in computing the financing and variable return allowances will be adjusted to the product of the occupancy level derived from the cost report used to compute the financing and variable return allowances at the time of the increased licensed bed capacity multiplied by the number of calendar days in the calendar year following the increased licensed bed capacity multiplied by the number of licensed beds on the new license; or

(iv) If a capitalized addition or retirement of an asset results in a different licensed bed capacity WAC 388-96-709 will apply;

388-96-754

Title 388 WAC: DSHS (Public Assistance)

(b) For the first fiscal year of a state biennium, the working capital portion of net invested funds shall be five percent of the sum of a contractor's costs from the cost report year used to establish the contractor's prospective component rates in nursing services, food, administrative, and operational that have been adjusted for economic trends and conditions under authority of WAC 388-96-719 and property. For the second fiscal year of a state biennium, the working capital portion of net invested funds shall be five percent of the sum of the July 1 prospective component rates for the first fiscal year in nursing services, food, administrative, and operational multiplied by the patient days as defined in subsection (2)(a)(i), (ii), (iii), or (iv) of this section from the calendar year immediately prior to the second fiscal year of a state biennium adjusted for economic trends and conditions granted under authority of WAC 388-96-719 plus the desk reviewed property costs from the cost report of the prior calendar year.

(c) For either the first or second year of a state biennium, in computing the portion of net invested funds representing the net book value of tangible fixed assets, the same assets, depreciation bases, lives, and methods referred to in this chapter, including owned and leased assets, shall be used, except the capitalized cost of land upon which a facility is located and other such contiguous land which is reasonable and necessary for use in the regular course of providing patient care shall also be included. As such, subject to provisions contained in this chapter, capitalized cost of leased land, regardless of the type of lease, shall be the lessor's historical capitalized cost. Subject to provisions contained in this chapter, for land purchases before July 18, 1984 (the enactment date of the Deficit Reduction Act of 1984 (DEFRA)), capitalized cost of land shall be the buyer's capitalized cost. For all partial or whole rate periods after July 17, 1984, if the land is purchased on or after July 18, 1984, capitalized cost of land shall be that of the owner of record on July 17, 1984, or buyer's capitalized cost, whichever is lower. In the case of leased facilities where the net invested funds are unknown or the contractor is unable or unwilling to provide necessary information to determine net invested funds, the department may determine an amount to be used for net invested funds based upon an appraisal conducted by the department of general administration per this chapter; and

(d) A contractor shall retain that portion of ROI rate payments at settlement representing the contractor's financing allowance only to the extent reported net invested funds, upon which the financing allowance is based, are substantiated by the department.

(3) The department shall determine the variable return allowance according to the following procedure:

(a) Once every two years at the start of each biennium, beginning with July 1, 1993 rate setting, the department shall, without utilizing the MSA and Non-MSA peer groups used to calculate other Medicaid component rates, rank all facilities in numerical order from highest to lowest based upon the combined average per diem allowable costs for the nursing services, food, administrative, and operational cost centers taken from the prior cost report period. The department shall use adjusted costs taken from cost reports having at least six months of data, shall not include adjustments for economic trends and conditions granted under authority of

WAC 388-96-719, and shall include costs current-funded under authority of WAC 388-96-774 and 388-96-777 and commencing in the prior cost report year. In the case of a new contractor, nursing services, food, administrative, and operational cost levels actually used to set the initial rate shall be used for the purpose of ranking the new contractor.

(b) The department shall compute the variable return allowance by multiplying the sum of the nursing services, food, administrative and operational rate components for each nursing facility by the appropriate percentage which shall not be less than one percent nor greater than four percent. The department shall divide the facilities ranked according to subsection (3)(a) of this section into four groups, from highest to lowest, with an equal number of facilities in each group or nearly equal as is possible. The department shall assign facilities in the highest quarter a percentage of one, in the second highest quarter a percentage of two, in the third highest quarter a percentage of three, and in the lowest quarter a percentage of four. The per patient day variable return allowance in the initial rate of a new contractor shall be the same as that in the rate of the preceding contractor, if any.

(c) The percentages so determined and assigned to each facility for July 1 rate setting for the first fiscal year of each state biennium, shall continue to be assigned without modification for July 1 rate setting for the second fiscal year of each biennium. Neither the break points separating the four groups nor facility ranking shall be adjusted to reflect future rate add-ons granted to contractors for any purpose under WAC 388-96-774 and 388-96-777.

(4) The sum of the financing allowance and the variable return allowance shall be the return on investment rate for each facility and shall be a component of the prospective rate for each facility.

(5) If a facility is leased by a contractor as of January 1, 1980, in an arm's-length agreement, which continues to be leased under the same lease agreement as defined in this chapter, and for which the annualized lease payment, plus any interest and depreciation expenses of contractor-owned assets, for the period covered by the prospective rates, divided by the contractor's total patient days, minus the property cost center determined according to this chapter, is more than the return on investment allowance determined according to this section, the following shall apply:

(a) The financing allowance shall be recomputed substituting the fair market value of the assets, as of January 1, 1982, determined by department of general administration appraisal less accumulated depreciation on the lessor's assets since January 1, 1982, for the net book value of the assets in determining net invested funds for the facility. Said appraisal shall be final unless shown to be arbitrary and capricious.

(b) The sum of the financing allowance computed under this subsection and the variable return allowance shall be compared to the annualized lease payment, plus any interest and depreciation expenses of contractor-owned assets, for the period covered by the prospective rates, divided by the contractor's total patient days, minus the property cost center rate determined according to this chapter. The lesser of the two amounts shall be called the alternate return on investment allowances.

Nursing Home—Accounting—Reimbursement

388-96-754

(c) The return on investment allowance determined in accordance with subsections (1), (2), (3), and (4) of this section or the alternate return on investment allowance, whichever is greater, shall be the return on investment allowance for the facility and shall be a component of the prospective rate of the facility.

(d) In the case of a facility leased by the contractor as of January 1, 1980, in an arm's-length agreement, if the lease is renewed or extended pursuant to a provision of the lease agreement existing on January 1, 1980, the treatment provided in subsection (5)(a) of this section shall be applied except that in the case of renewals or extensions made on or subsequent to April 1, 1985, per a provision of the lease agreement existing on January 1, 1980, reimbursement for the annualized lease payment shall be no greater than the reimbursement for the annualized lease payment for the last year prior to the renewal or extension of the lease.

(6) The information from the two prior reporting periods used to set the two prospective return on investment rates in effect during the settlement year is subject to field audit. If the financing allowances which can be documented and calculated at audit of the prior periods are different than the prospective financing allowances previously determined by desk-reviewed, reported information, and other relevant information, the prospective financing allowances shall be adjusted to the audited level at final settlement of the year the rates were in effect, except the adjustments shall reflect a minimum bed occupancy level of eighty-five percent. Any adjustments to the financing allowances pursuant to this subsection shall be for settlement purposes only. However, the variable return allowances shall be the prospective allowances determined by desk-reviewed, reported information, and other relevant information and shall not be adjusted to reflect prior-period audit findings.

[Statutory Authority: RCW 74.46.800, 91-12-043 (Order 3737), § 388-96-754, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-754, filed 9/14/93, effective 10/15/93; 91-22-025 (Order 3270), § 388-96-754, filed 10/29/91, effective 11/29/91; 90-09-061 (Order 2970), § 388-96-754, filed 4/17/90, effective 5/18/90. Statutory Authority: RCW 74.09.180 and 74.46.800, 89-01-095 (Order 2742), § 388-96-754, filed 12/21/88. Statutory Authority: RCW 74.46.800, 87-09-058 (Order 2485), § 388-96-754, filed 4/20/87; 86-10-055 (Order 2372), § 388-96-754, filed 5/7/86, effective 7/1/86. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-754, filed 8/19/85. Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-754, filed 12/4/84.]

WAC 388-96-757 Reimbursement for veterans' homes. (1) Notwithstanding any other provision of this chapter, reimbursement rates for any nursing facility operated by the state of Washington, department of veterans affairs (DVA) shall, for the 1993/1995 biennium (July 1, 1993 through June 30, 1994 rate setting), be established according to the following procedures:

(a) DVA shall submit separately for each facility an opening-year budget utilizing the 1992 cost report form and instructions designed for all Medicaid nursing facilities reimbursed for services under this chapter;

(b) Each facility budget shall be reviewed and adjusted by staff of the department's office of rates management, aging and adult services administration, utilizing rules of allowability for Medicaid costs contained in this chapter;

(c) The total prospective Medicaid rate for each DVA-operated facility to be effective July 1, 1993 (or effective upon the subsequent opening date of each facility), through June 30, 1995, shall be established at the lower of:

(i) Each facility's budgeted costs submitted by DVA, as reviewed and adjusted by department staff; or

(ii) One hundred fifty dollars per patient day in all cost centers combined.

(d) In the event the limit of one hundred fifty dollars at any DVA facility is exceeded by the total budgeted costs remaining after department review of the facility budget, the department will divide the one hundred fifty dollars limited amount among the cost centers in the following priority: nursing services, food, operational, administrative, property and return on investment (ROI).

(e) Once the rates are established and in effect, DVA may seek rate increases at any time during the 1993/1995 biennium to current-fund additional costs exceeding the rates, but only as authorized under the procedures and substantive criteria in WAC 388-96-774 as employed for all Medicaid facilities reimbursed under this chapter.

(f) Any adjustments for economic trends and conditions in any cost center, effective July 1, 1994 for Medicaid contractors under the provisions of this chapter, shall be extended to the DVA facilities as well.

(g) The DVA facilities shall submit annual facility cost reports on department forms, and according to department instructions applicable to all facilities, for 1993 and for 1994, and settlements for each of these years shall be completed for each DVA facility, with final payment being made at the lower of cost or rate, after all allowable cost center shifting, as for all Medicaid facilities reimbursed under this chapter.

(2) For July 1, 1995 rate setting and following, all rate-setting principles applicable to the DVA facilities shall be developed by the department.

[Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-757, filed 9/14/93, effective 10/15/93.]

WAC 388-96-760 Upper limits to reimbursement rate. The average reimbursement rate for the cost report year shall not exceed the contractor's average customary charges to the general public for the services covered by the rate for the same time period, except that public facilities rendering such services free of charge or at a nominal charge will be reimbursed according to the methods and standards set out in this chapter. The contractor shall provide as part of the annual cost report a statement of the average charges for the cost report year for services covered by the rate and supporting computations and documentation. The contractor shall immediately inform the department if its reimbursement rate does exceed customary charges for comparable services. If necessary, the rate will be adjusted in accordance with WAC 388-96-769.

[Statutory Authority: RCW 74.46.800 and 74.09.120, 91-12-026 (Order 3185), § 388-96-760, filed 5/31/91, effective 7/1/91. Statutory Authority: RCW 74.09.120, 84-24-050 (Order 2172), § 388-96-760, filed 12/4/84; 83-19-047 (Order 2025), § 388-96-760, filed 9/16/83; 81-22-081 (Order 1712), § 388-96-760, filed 11/4/81. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-06-080 (Order 1300), § 388-96-760, filed 6/1/78. Statutory Authority: RCW 74.09.120, 78-02-013 (Order 1264), § 388-96-760, filed 1/9/78.]